MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210 & TERM ID 2215)

BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1

(All Sections / Groups)

13 FEBRUARY 2023
9:00 AM – 12:00 PM
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 5 pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

3. Please write your answers in the Answer Booklet provided.

QUESTION 1

PART A

Accounting information provides useful information about business transactions and events. Those who provide and use financial reports must often select and evaluate accounting alternatives. The Conceptual Frameworks of Financial Reporting examines the characteristics of accounting information that make its useful for decision making. (Source: Kieso, et al. 2011).

Required:

a) Illustrate the meaning of the following characteristics of useful information:
   - Relevance
   - Faithful representation
   - Comparability
   - Timeliness

(10 marks)

b) Illustrate the definition of FOUR (4) elements of financial statement as stated in the conceptual framework for financial reporting.

(10 marks)

PART B

On 1 March 2020, TnT Sdn. Bhd. bought a piece of land for RM350,000 in cash. The market value of the land on 1 March 2022 is RM400,000.

Required:

For the above transaction, show explanation on fair value method used for measurement.

(5 marks)

(Total: 25 marks)

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QUESTION 2

S&M Enterprise is a partnership commenced its business on 1 January 2020. S&M Enterprise was established by Sun and Mun for which Sun and Mun contributed RM100,000 and RM120,000 respectively with 5% interest on capital per annum. They agreed to share profit and loss equally.

Details of S&M Enterprise for the year ended 31 December 2020, 2021 and 2022 are as follows:

Year	Net trading profit before dealing with partners' items (RM)	Drawings (RM)		Annual salaries (RM)	
		Sun	Mun	Sun	Mun
2020	45,000	2,000	6,000	24,000	26,400
2021	72,000	-	5,000	24,000	26,400
2022	98,000	12,000	10,000	33,600	36,000

Required:

a) Prepare S&M Enterprise's profit and loss appropriation account for three years.
(10 marks)

b) Prepare current accounts for each partner for three years.
(15 marks)

(Total: 25 marks)

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QUESTION 3

PART A

Setia Berhad closes its accounting period on 31 December annually. On 1 February 2022, Setia Berhad issues a prospectus to the public, to subscribe for 500,000 shares at RM3.20 per unit. The payment would be in stages as follows:

		RM
10-Feb	Application	1
28-Feb	Allotment	1.5
31-Mar	First call	0.25
30-Apr	Second call	0.3
31-May	Last call	0.15
Total		**3.2**

All shares are fully subscribed with the application money received on 10 February 2022. The shares are then allotted to successful applicants on 28 February 2022. The allotment money and calls are paid on the respective dates above. Setia Berhad paid cost of shares issuance for RM99,000.

Required:

a) Prepare the journal entries for the above transactions; (8 marks)

b) Prepare the extract of Statement of Financial Position for Setia Berhad as at 31 December 2022. (5 marks)

PART B

At the beginning of financial period on 1 January 2022, Ocean Berhad has in issue 2.5 million ordinary shares and RM500,000 8% convertible preference shares. One preference share can be converted into 2 ordinary shares in 2028. The profit after tax for 2022 is RM800,000. Ocean Berhad paid full preference dividend in 2022.

Required:

a) Compute the basic earnings per share and diluted earnings per share for 2022 in accordance with the requirements of MFRS 133 Earnings Per Share. (6 marks)

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b) Facts are the same as above, except that the preference shares dividend paid for a half year only in 2022, illustrate how preference shares dividend affects the basic earnings per share and diluted earnings per share for 2022 in accordance with the requirements of MFRS 133 Earnings Per Share.

(6 marks)

(Total: 25 marks)

QUESTION 4

PART A

Sentosa Sdn. Bhd.'s financial accounting year end is 31 December annually. Its financial statements for 2021 were authorised for issue by its directors on 16 April 2022 and the annual general meeting will be held on 15 May 2022. The following matters have been brought to your attention:

- Inventory was sold on 1 February 2022 at RM60,000. The carrying value of inventory was RM66,000 and the net realizable value was RM70,000.

- On 1 June 2022, the government announced tax changes which have the effect of increasing Sentosa Sdn. Bhd.'s deferred tax liability by RM400,000 as at 31 December 2021.

Required:

c) Illustrate the explanation for the above transactions in Sentosa Sdn. Bhd.'s financial statements for the year ended 31 December 2022 in accordance with MFRS 110 Events After the Reporting Period.

(8 marks)

d) Show TWO (2) examples for adjusting and non-adjusting events after the reporting period.

(4 marks)

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PART B

Below are two independent situations.

1. In July 2022, a worker of XYX Sdn. Bhd. was injured in the factory in an accident partially the result of his own negligence. The worker has sued the company for RM300,000. The company's lawyer believes it is possible but not probable that the outcome of the suit will be unfavorable and that the settlement would cost the company from RM50,000 to RM100,000.
2. Syarikat Kaca provides warranty that accompanies the sale of its door glasses to customers. Based on industry experience, the company estimated that it would incur RM250,000 warranty cost in 2022.

Required:

In accordance with MFRS 137 Provision, Contingent Liabilities and Contingent Assets, illustrate the discussion for the proper accounting treatment, including any required disclosures, for each situation.

(8 marks)

PART C

On 20 March 2018, Mint Sdn. Bhd. has a machine that cost RM250,000. On 23 December 2022, the old machine is exchanged for a new machine with a fair value of RM180,000. The new machine is expected to improve the production of the company for the current year and subsequent year. Mint Sdn. Bhd. also paid RM20,000 cash.

Required:

a) Illustrate the discussion whether the exchange reflects a commercial substance to Mint Sdn. Bhd. (3 marks)

b) Compute the cost of the acquired newer equipment by Mint Sdn. Bhd. from the exchange. (2 marks)

(Total: 25 marks)

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